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Saturday, January 26, 2008

Mark David Goss, Chairman  
Kentucky Public Service Commission  
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**FEB 12 2008**

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Case 2007-00134

Dear Chairman Goss:

Of the four studies that analyze the KAW vs. LWC proposals, all assess the CURRENT LWC proposal as more cost effective. As you know the O'Brien and Gere study has little to do with the current LWC proposal to provide water to KAW. It was intended to provide water to many Bluegrass cities but some of them today have dropped out of any interest in that proposal and its specifications are not congruous with Lexington's need today. The O'Brien and Gere study first concluded that the LWC proposal was the most cost effective and then reversed its conclusion because of a huge water guarantee (45 mgd) requirement in year 1 that would have been a terrible waste of money.

But Kentucky American's water demand projections are in need of further inquiry. If you look at KAW's maximum daily demand, it increased by 140,000 gallons per day each year from 2000 to 2006. However, when KAW made its maximum daily demand projections into the future from 2007 to 2030, they estimated an annual increase in maximum daily demand of 580,000 gallons per day.

Now it does not seem either plausible or possible for this to be the case. In addition, it is not in the best interests of the water consumer to build capacity to handle all water requirements in a serious drought. In such cases, conservation measures limiting outdoor watering should be implemented, as they were in the summer of 2007 and that works quite well.

Finally, Mr. Scott Rubin made the case for the Louisville Water Company. In his testimony before you on November 13, 2007, he said:

*"I consider this \$293.1 million present value to be the base case for the Pool 3 Project. This is a reasonable estimate of the present value of the costs that KAWC would incur between 2010 and 2030, under the assumption that KAWC needs 6 MGD in 2010 and an additional 0.5 MGD of water each year thereafter. If KAWC has to finance the pipeline, [the Louisville Water Project] the net present value of the pipeline option would be approximately \$255.1 million. This is an increase of approximately 15% in R.W.Beck's projected present value of \$221.6 million."*

Since the past maximum annual increase in water demand has been only 140,000 gallons per year, it is not even close to the 500,000 gallons that Mr. Rubin refers to and thus, Mr. Rubin makes the case for LWC. His only rationale for suggesting that the KAW project proceed was the matter of urgency. But that urgency does not really exist. During an interim period, KAW can purchase an additional 2 to 4 mgd from Versailles. And if crest gates on Pool 9 create a reservoir of ONE BILLION GALLONS, as Mr. Reeder says, then serious conservation and control of non-revenue water can help make enough additional water available to forestall the need for either water proposal to proceed at this time. But if one is to proceed, it certainly should not be the KAW proposal because of the three alternatives---expolit conservation, leakage, Versailles and crest gates or LWC or KAW, KAW is the least desirable of the three.

Thank you,



Marty Solomon